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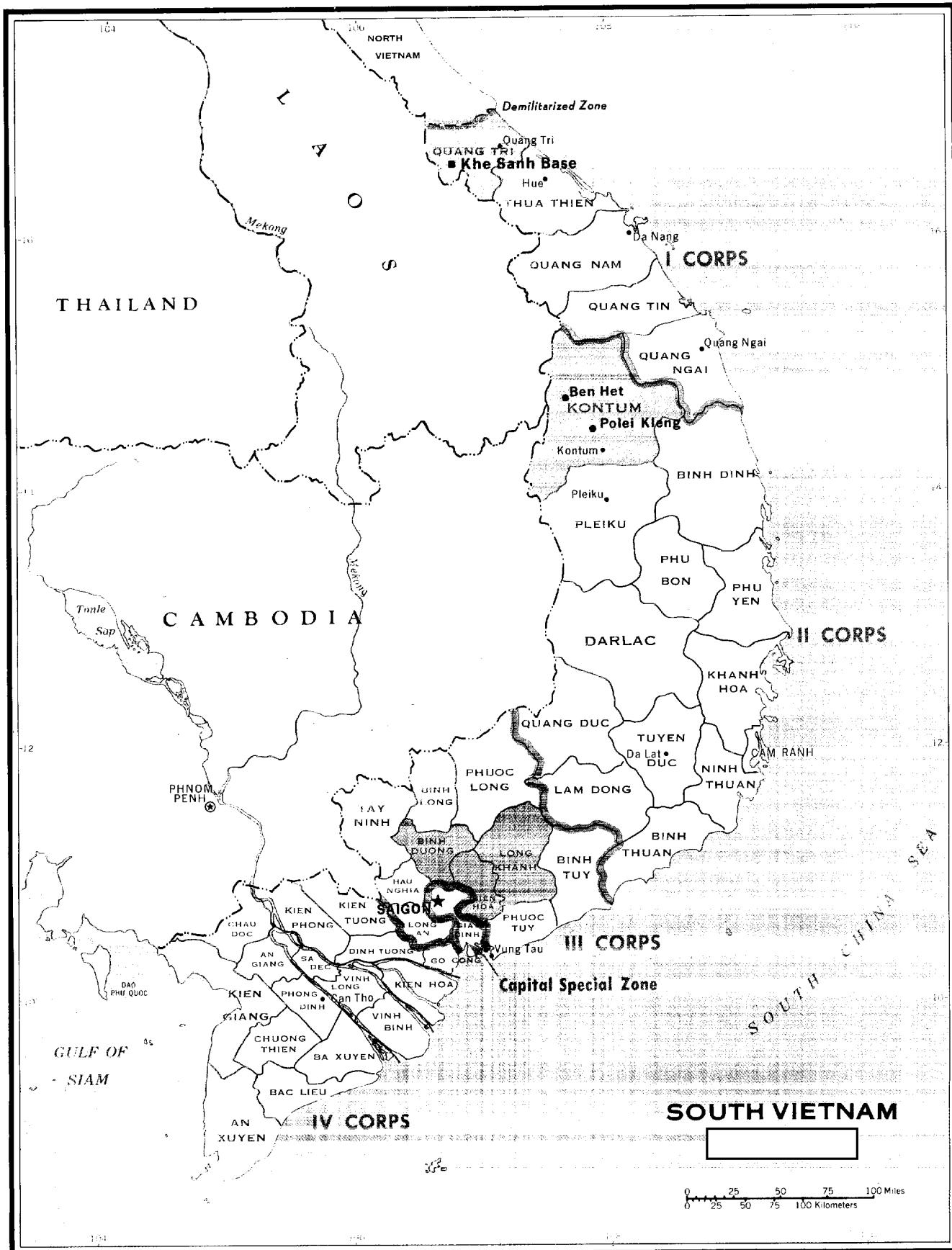
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【 Vietnam]

South Vietnam: The enemy is stepping up the military tempo in the central highlands.

A spate of mortar attacks and ground probes hit allied outposts in Kontum Province for the second straight day on 16 May. The attacks may be intended partly to distract attention from enemy movements in the vicinity of more important targets. From the current position of enemy units, it appears that the most likely targets for any major assaults are the Special Forces camps at Ben Het and Polei Kleng in Kontum.

To the north in Quang Tri Province, the Communists are showing renewed interest in the Khe Sanh area. A small enemy unit has put up a stiff fight against US Marine elements in the vicinity during the past two days.

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Although the recent Communist sallies have lacked the steam of the Tet attacks, they have helped keep the number of Viet Cong defectors under the Chieu Hoi program in a continuing decline. Government statistics indicate that there were only slightly over 3,500 during the first four months of 1968 in contrast to over 14,000 during the same period last year. One favorable note in the picture is the upsurge in 1968 in the number of enemy officers among the military ralliers. They are now coming in at more than double the rate last year.

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On the political front, the National Assembly is still grappling with legislation to strengthen the government's posture against the Communists. Recent action by the Upper House, however, appears to have assured a further delay in final passage]

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[of the general mobilization bill. The Upper House wishes to consider a very different version of the bill from that passed by the Lower House. The Lower House version failed to include any penalties for draft evasion, a serious loophole.

The issue of the Paris peace negotiations also occupied the National Assembly on 14 May, as it was debated for several hours in the Lower House. There was sentiment against the talks and against US policy, but no formal action was taken on the issue. Some of the deputies expressed concern over the lack of South Vietnamese representation in the talks at the present time.

North Vietnam: Recent photography shows that rapid repairs are being made on several major industrial and power facilities above the 20th parallel. A section of the Viet Tri paper mill was seen in photography [] to be in operation for the first time in over a year. The Haiphong cement plant was in limited operation during late April, while repairs were under way to the five main Hanoi-Haiphong power plants. Currently seven of the nine power plants in the area network are in partial operation and generating about 45 percent of their former capacity. []
(Map)]

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Czechoslovakia-USSR: Moscow is trying to reduce public concern over its military pressures on Prague, but Soviet troops remain on the Czechoslovak frontiers.

The USSR, using the face-saving formula put forward by the Czechoslovak Foreign Ministry last week, stated on 16 May that joint Soviet-Polish maneuvers were "taking place" in Poland's Silesian Military District. The Soviet announcement differs from a similar but earlier Polish release by adding that the exercise was held in "accordance with a plan" of the Warsaw Pact command.

The Soviet Army newspaper yesterday reported an awards ceremony and other festivities in Raciborz, Poland, in connection with the exercises, implying that they were completed. The Czechoslovak press service also announced that Soviet Marshal Grechko, who attended the ceremonies in Raciborz, would arrive in Prague today for an official visit.

There are no indications yet of the recall of any Soviet units and Moscow is keeping up its sub rosa war of nerves. On 15 May the Soviet commander in East Germany banned Allied Military Liaison Mission personnel from travel in a large area of southern East Germany. The restricted area included a portion contiguous to Silesia and the area in which Soviet units are deployed along the East German - Czechoslovak border.

Moscow apparently intends to keep military units near Czechoslovakia's borders until it is more certain that the Dubcek regime can control developments in Prague. The contradictory voices coming out of official Prague probably have done little to change Moscow's view that the future of the Czechoslovak party's leadership is still in doubt.

Prague remains calm. Czechoslovak party and state officials have made conciliatory gestures to

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[Moscow, but also have reaffirmed that Czechoslovakia will continue on its new domestic and foreign course.

Additional information on Premier Cernik's interview on 14 May shows that, although he stated that Prague's foreign policy is based on cooperation with Moscow, he added that Czechoslovakia's relations with its allies are based on equality and noninterference. He stressed that Prague is "interested" in cooperating economically with Western nations. At the same press conference, Deputy Premier Husak implied that additional political parties will be allowed in Czechoslovakia.

One of the leading spokesmen of the liberals in the party, presidium member and National Assembly chairman Smrkovsky, said the Soviet leaders feared Czechoslovak developments, and he warned that the party will not permit any individual to use the democratization process for his own aims. Smrkovsky's statement apparently was aimed primarily at the liberals, and particularly the non-Communists in Czechoslovakia.

The East Germans meanwhile have continued their subversive campaign aimed at reversing the liberal trend in Czechoslovakia. The country's media have kept up polemics with Prague, featuring a specious story that US tanks and troops are in the Czechoslovak capital. [redacted]

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Thailand-Cambodia: Bangkok is apparently re-evaluating its support for anti-Sihanouk Khmer Serei dissidents.

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There are indications that the suspension was part of a broader effort to scale down Khmer Serei activities.

Bangkok's move may have been in response to complaints from provincial officials who have been concerned over the significant number of Thai civilian casualties caused by Cambodian reprisals. The Thai are also undoubtedly frustrated by the lack of progress the Khmer Serei have made since they began their operations from Thailand in late 1964. The Thai have also had difficulty controlling Khmer Serei elements and working out satisfactory arrangements with South Vietnam, which has furnished many of the Khmer Serei troops.

It is highly unlikely that Bangkok will completely forgo its Khmer Serei operations as long as its deeply rooted animosity toward Sihanouk's regime persists. A significant lessening in support for the dissidents, however, would remove a major irritant between the two countries and could revive efforts to reach a rapprochement.

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Lebanon: President Hilu is apprehensive about Israeli intentions toward Lebanon.

Hilu believes that the Israeli shelling of a Lebanese village on 12 May is part of an Israeli plan to get control of the Litani River waters and realign the border. He cites public statements by Israeli political leaders to support his contentions.

Israeli Minister of Defense Dayan declared at the end of the June 1967 war that "Israel had ideal borders with her Arab neighbors except for Lebanon." Prime Minister Eshkol has commented on Lebanon's "unproductive use of the Litani River waters," and Foreign Minister Eban claimed that Lebanon declared war on Israel "in the good old-fashioned way."

Lebanon, like the other Arab states, has never signed a peace treaty with Israel, but stayed out of the war last summer, issuing ambiguous statements for domestic political effect. The Litani River flows to the sea in southern Lebanon and does not pass through Israeli territory, although it could be diverted to add water to the Jordan valley.

Hilu, moreover, will find it increasingly difficult to prevent the transiting of Lebanon by Arab terrorists operating from Syria. Lebanese authorities have attempted to prevent these incursions but will be handicapped by popular pressure from radical Lebanese groups. The internal political situation in Lebanon in the wake of the recent parliamentary elections complicates the problem. Hilu's fears may be exaggerated, but if Syria increases infiltration activities, Lebanon is likely to become subject to more punitive Israeli attacks.

President Hilu is contemplating asking for formal UN Security Council action on the problem.

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Italy: The ruling center-left alignment will almost certainly be reconfirmed in power in the national elections on 19-20 May.

The coalition--Premier Moro's Christian Democrats, the Unified Socialists, and the Republicans--has made some progress in implementing its ambitious legislative program since it came to power in December 1963. Much remains undone, however, in the modernization of the Italian state, especially in such areas as administration, taxation, and education.

In economic matters, the government's accomplishments are a distinct asset. A downward trend in the economy in 1963-64 has been reversed and Italy has for the past two years been in the forefront of the European Community in economic growth.

The coalition may not be reconstituted in its present form immediately after the election. If the Socialists suffer a serious setback, they might decide not to re-enter the cabinet, at least until the party's congress next fall. Nevertheless, they would almost certainly lend their parliamentary support in the meantime to a new government.

The Communist Party, which won 25 percent of the vote in the 1963 parliamentary elections, is expected to lose some ground. An electoral setback, no matter how small, would be a serious psychological blow to the Communist leadership, for it would be the first Communist loss in a national election in the postwar period.

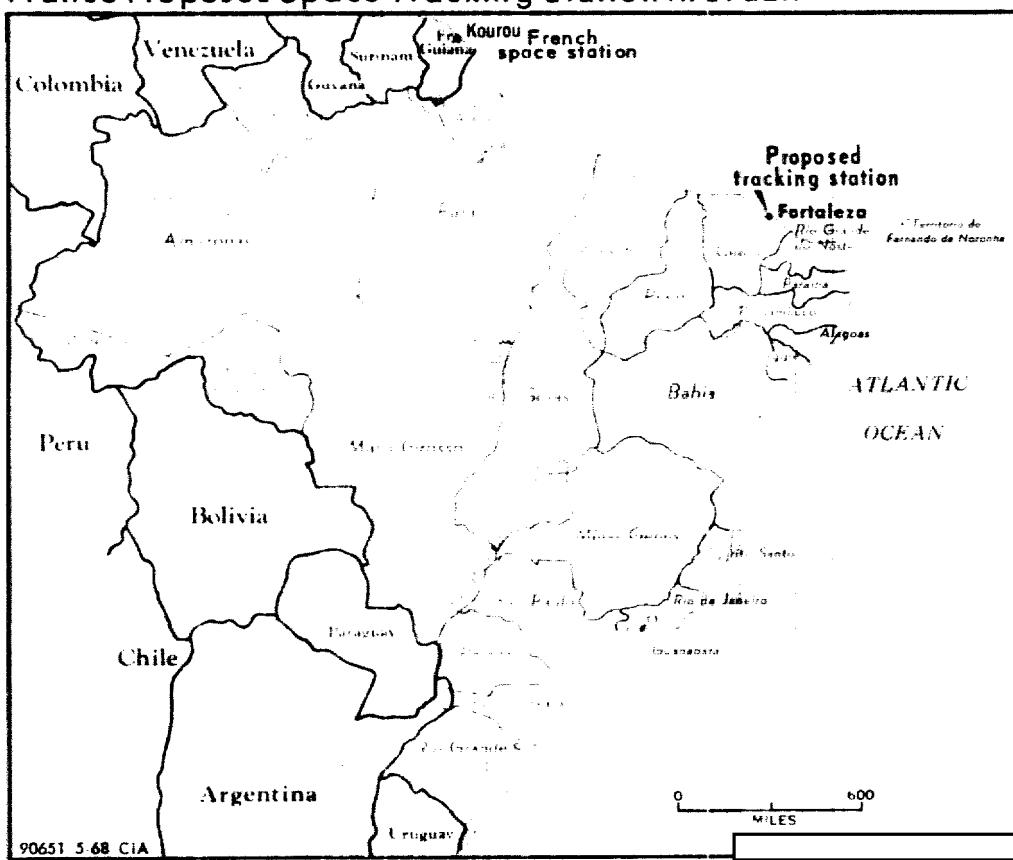
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France Proposes Space Tracking Station in Brazil



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Brazil-France: President Costa e Silva is reportedly considering a French proposal to establish a space tracking station near Fortaleza in the northeastern state of Ceara.

Brazilian press reports of early May indicate that some French technicians may already be at the site--which is suitably located for tracking satellites launched from the French space center under construction near Kourou, French Guiana. [redacted]

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[redacted] The plan calls for the station to operate under a two-year agreement; it is to have a French administrator, but Brazilians can fill up to two thirds of the technical positions. Brazil not only would have the right to use the tracking station at Ceara but would also gain access to the French installations at Kourou.

The first satellite launching from French Guiana is scheduled for the first half of 1969. [redacted]

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(Map)

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Zambia-Czechoslovakia: [redacted]

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[redacted]
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[redacted] The Zambian Government, however, backed off from an approach to the Czechoslovaks about arms in late 1966, and is unlikely to jump at a Czechoslovak offer at this time. Kaunda's reluctance to date to deal with the Communists, however, might eventually be offset by Prague's lack of identification in Zambia as a major participant in the "cold war."

Last fall President Kaunda decided to beef up his defense forces to guard against possible retaliation by neighboring white-ruled countries for Lusaka's assistance to African insurgents. Subsequent approaches to Western governments for military assistance have so far met with no success. Kaunda seems committed to strengthening his defense forces, and he may eventually be receptive to Communist aid.

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Brazil: Several US and other foreign companies could be threatened with nationalization by a pending congressional bill, according to some interpretations.

The so-called "national security municipalities" bill would name some 68 towns and cities as being "of interest to national security." Some congressmen and reporters are speculating that foreign companies in those areas would then have to be nationalized because the constitution requires industries in "areas indispensable to national security" to have predominantly Brazilian capital.

This interpretation is likely to embarrass the government, which had intended the bill to ensure its political control in the affected municipalities and probably was not interested in the industry ownership question at all. Such an issue could attract support from nationalists always eager to halt foreign economic "intervention," but many congressmen will continue to oppose the proposed legislation as another expansion of executive authority. The administration may well choose to amend or clarify the bill.

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Uruguay: A congressional investigation of the recent devaluation promises to embarrass the Pacheco administration.

The President is dissatisfied with a Central Bank statistical report which fails to answer Senate charges that a high official leaked advance word of the devaluation to foreign exchange speculators. Bank President Iglesias, who has borne the brunt of criticism for the devaluation, opposes the investigation, which he fears will undermine Uruguay's credit standing abroad.

This is the second time in less than a month that the Uruguayan Government has been hit by scandal. Labor Minister Acosta y Lara was forced to resign when he was accused of using his position for private gain. [redacted]

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India: The Congress Party has won a clear majority in the Haryana state assembly elections--the first in a series of three in states captured by non-Congress coalitions after the 1967 general elections. Congress conducted an intensive campaign and undoubtedly capitalized on the shabby record of coalition rule after it was ousted from power in Haryana early last year. The victory should boost morale within the Congress organization as it prepares for the more important elections in Uttar Pradesh and West Bengal. [redacted]

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Belgium: A solution to the prolonged cabinet crisis appears remote. The Liberal Party has become so divided on the linguistic issue that it is expected to refuse to join in a coalition with caretaker Prime Minister Vanden Boeynants' Social Christians. If Vanden Boeynants is unable to reach an agreement with the Socialists, who oppose many of his party's programs, he may try to form a minority government or a "government of experts" drawn from all parties. Even if such a government could be formed, it could scarcely deal effectively with Belgium's problems. [redacted]

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Guatemala: The army claims to have killed six guerrillas in the northeastern Department of Zacapa early this week when it surprised an eight-man group from the Communist Rebel Armed Forces (FAR) reportedly on a mission to receive a large arms shipment from Honduras. Four of the six killed were said to be important FAR leaders. This was the first such encounter in the area for over a year.

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[redacted]
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Turkey: The new propaganda attack launched by leftist students against the US and NATO on 13-14 May is a continuation of a long-standing campaign by the Marxist Turkish Labor Party to force Ankara to withdraw from NATO and to oust the US from Turkey. On 14 May leftist students provoked a clash that resulted in 106 student arrests.

Military and political leaders, however, stand firm in their support of NATO and Turkey's Western orientation, although some of the more nationalist minded are seeking new ways to demonstrate Turkey's independence within the Western alliance.

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NATIONAL INTELLIGENCE ESTIMATES

The United States Intelligence Board, on 16 May 1968, approved the following national intelligence estimates:

NIE 11-6-67	Memorandum to holders of "Soviet Strategy and Intentions in the Mediterranean Basin" [redacted]	25X1
SNIE 11-9-68	"Soviet Interests and Activities in Arab States" [redacted]	25X1
SNIE 14.2-68	"Likelihood of Major Hostilities in Korea" [redacted]	25X1

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